

(B) In making a contract cost risk evaluation in an acquisition that involves definitization of a letter contract, consideration should be given to the effect on total contract cost risk as a result of partial performance under a letter contract. Under some circumstances, the total amount of cost risk may have been effectively reduced by the existence of a letter contract. Under other circumstances, it may be apparent that the contractor's cost risk remained substantially as great as though a letter contract had not been used. Where a contractor has begun work under an anticipatory cost letter, the risk assumed is greater than normal. To be equitable, the determination of a profit weight for application to the total of all recognized costs, both those incurred and those yet to be expended, must be made with consideration to all relevant circumstances, not just to the portion of costs incurred or percentage of work completed prior to definitization.

#### **1515.404-472 Other methods.**

(a) Contracting officers may use methods other than those prescribed in 1515.404-470 for establishing profit or fee objectives under the following types of contracts and circumstances:

- (1) Architect-engineering contracts;
- (2) Personal service contracts;
- (3) Management contracts, e.g., for maintenance or operation of Government facilities;
- (4) Termination settlements;
- (5) Services under labor-hour and time and material contracts which provide for payment on an hourly, daily, or monthly basis, and where the contractor's contribution constitutes the furnishing of personnel.
- (6) Construction contracts; and
- (7) Cost-plus-award-fee contracts.

(b) Generally, it is expected that such methods will:

- (1) Provide the contracting officer with a technique that will ensure consideration of the relative value of the appropriate profit factors described under "Profit Factors," in FAR 15.404-4(d) and
- (2) Serve as a basis for documentation of the profit or fee objective.

#### **1515.404-473 Limitations.**

(a) In addition to the limitations established by statute (see FAR 15.404-4(b)(4)(i)), no administrative ceilings on profits or fees shall be established, except those identified in EPAAR (48 CFR) 1516.404-273(b).

(b) The contracting officer shall not consider any known subcontractor profit/fee as part of the basis for determining the contractor profit/fee.

#### **1515.404-474 Waivers.**

Under unusual circumstances, the SCM may specifically waive the requirement for the use of the guidelines. Such exceptions shall be justified in writing, and authorized only in situations where the guidelines method is unsuitable.

[64 FR 47410, Aug. 31, 1999, as amended at 67 FR 5072, Feb. 4, 2002]

#### **1515.404-475 Cost realism.**

The EPA structured approach is not required when the contracting officer is evaluating cost realism in a competitive acquisition.

#### **1515.408 Solicitation provisions and contract clauses.**

(a) In addition to those provisions and clauses prescribed in FAR 15.408, when an exception to FAR 15.403-1 does not apply and no other means available can be used to ascertain whether a fair and reasonable price can be determined, the contracting officer may insert in negotiated solicitations the provisions at—

- (1) 1552.215-72 when requesting information other than cost or pricing data, for cost-reimbursable, level-of-effort contracts. Use Alternate I for cost-reimbursable, level-of-effort contracts when the Government's requirement is for fully dedicated staff for a twelve month period(s) of performance and performance is on a Government facility; Alternate II for acquisitions for cost-reimbursable, level-of-effort contracts when the Government's requirement is for fully dedicated staff for a twelve month period(s) of performance and performance is not on a Government facility; and Alternate III if the Government's requirement is for the acquisition of supplies or equipment.